

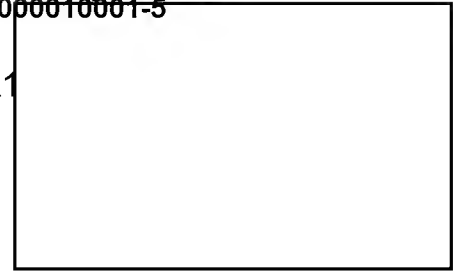


Director of
Central
Intelligence

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National Intelligence Daily

***Monday
8 January 1979***

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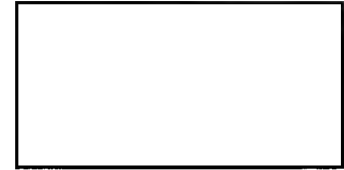
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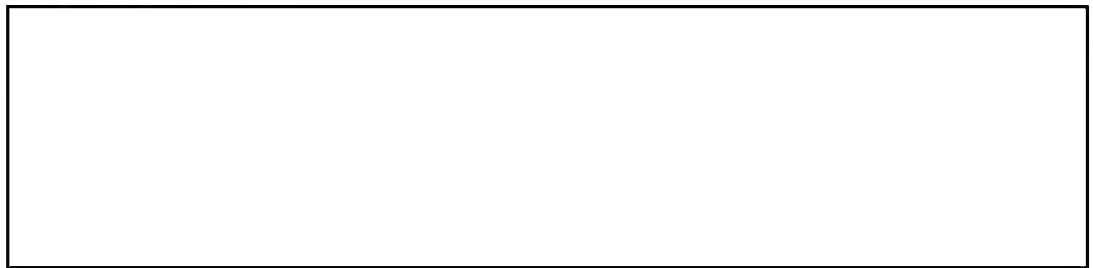
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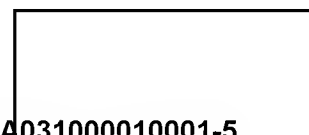
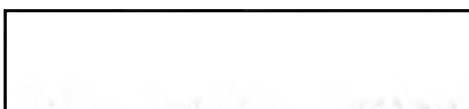
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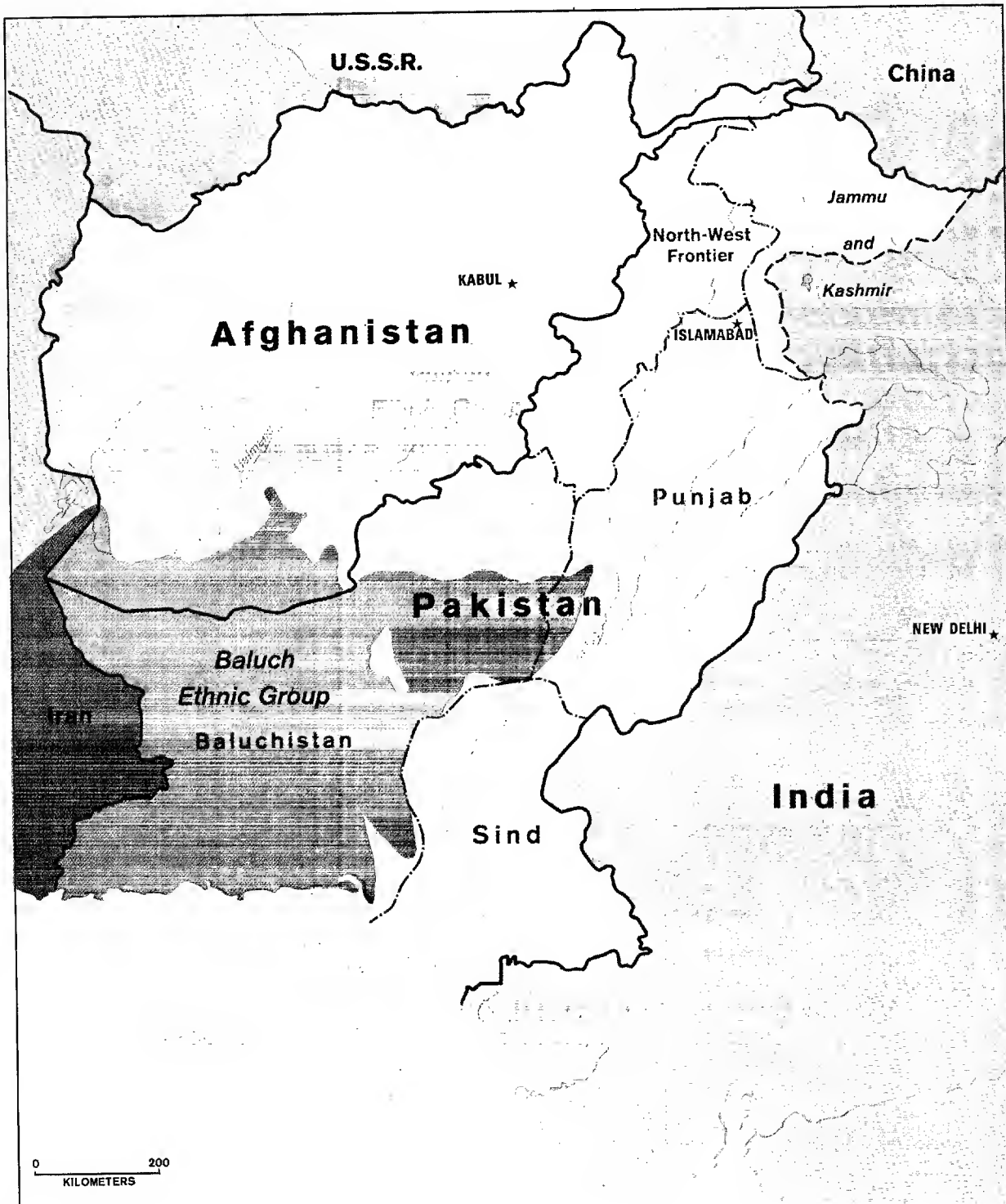
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SPECIAL ANALYSIS

PAKISTAN'S PROBLEMS

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President Zia-ul-Haq is faced with an accumulation of political and economic problems, some of which are fast coming to a head. The country's other senior generals may soon feel prompted to replace Zia, but a new military leader would probably not be much different. In any event, the Pakistani military will probably be able, at least in the short term, to prevent serious political deterioration.

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Zia depends on the continued support of the military, and senior generals--as well as many other Pakistanis--are already unhappy with his performance. He will soon face a decision on former Prime Minister Bhutto that is almost certain to increase criticism of his rule.

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The Supreme Court has completed its hearing of Bhutto's appeal of his conviction for a political murder, [REDACTED] If the court upholds the death sentence, as it is expected to do, Zia must then decide whether Bhutto is to be executed.

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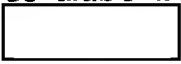
Some of Bhutto's followers believe his execution would bring such a strong popular reaction that Zia--and perhaps the military--would be driven from power. The government has previously thwarted attempts by Bhutto's followers to stage widespread demonstrations, and his supporters have so far not made an all-out effort to create turmoil. Should Zia opt for execution, and widespread rioting follow, his fellow generals might well see his resignation as necessary for the restoration of order.

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Zia could be removed from office, however, if he does not confirm the death sentence. Few Pakistanis are neutral about Bhutto, and many--including senior generals--feel strongly that Bhutto must be executed to prevent his returning to power. 


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A Civilian Government


Zia also must decide what to do about growing pressures for a return to civilian government. Both the politicians and a number of senior military officers want Army control ended, and Zia's inability to achieve this so far is a major cause of the dissatisfaction with him. Zia is reluctant to turn over power until he can be sure that the government will be honest and stable and that Bhutto's followers will have a minimal role in it. 

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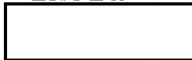


Zia hoped to build the Pakistan National Alliance--a coalition of nine parties formed to oppose Bhutto--into a dominant political force. Bhutto, however, still has widespread popular support, and in a free election his party would probably win enough seats to make it at least an influential opposition party. 

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After prolonged negotiations, Zia has won the support of the Pakistan National Alliance but, in the process, the two best known figures in the Alliance withdrew their parties, a third smaller party also left, and the most important remaining party in the Alliance split, leaving Zia with the support of five small parties and a faction of a major party. 

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Zia has promised an election this year, but so far has not set a date. Unless he makes a firm commitment, the rift between Zia and the politicians--including those who now support him--is likely to grow. 

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Economic Problems


Zia is reluctant to incur the political costs of forcing Pakistan's economy to operate within its means. Last fall, he turned down a proposal of the International




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Monetary Fund that would have provided a \$70 million standby credit for balance of payments support. In exchange for financial support, Zia would have had to curb rising public spending, especially on large government subsidies for a wide range of consumer goods. 

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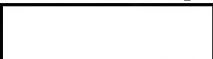
Pakistan's budget for this year shows that expenditures will increase sharply because of higher food subsidies and the government's decision to speed completion of a steel mill in Karachi. 

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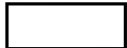
Any cutback in subsidies would boost urban prices for basic foodstuffs and thus encourage increasing criticism of the government. Crop failures require large imports of high-cost wheat this year and make subsidies more important than ever. 

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Foreign Challenges

The troubles in Iran have increased the feeling of isolation that has grown in Pakistan since last April, when pro-Communist leaders seized power in neighboring Afghanistan. 

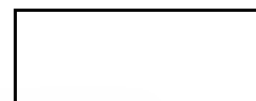
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The new Afghan Government has assured Pakistan that it wants a peaceful settlement of the longstanding border dispute between the two countries. As the Pakistanis see it, however, Afghanistan's ultimate goal is the annexation of Pakistan's two western provinces. A number of public and private statements by Afghanistan's new rulers tend to confirm Pakistani worries. 

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The Pakistanis recognize that the Afghan Government is not now in a position to move against Pakistan. The long-term threat posed by Afghan ambitions, however, adds to the general malaise in Pakistan as the country's leaders grapple with their political and economic problems. 

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

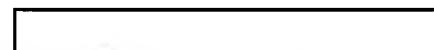
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Kampuchea-Vietnam-China

While in Beijing (Peking) today



former Kampuchean leader Prince Sihanouk took pains at a press conference to dissociate himself from the domestic policies of the Pol Pot regime, but he

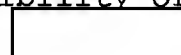


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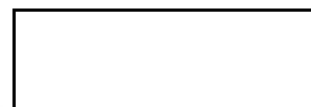


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said he would nonetheless proceed with his attempt to obtain UN condemnation of Vietnam's invasion. He claimed that all leaders of the regime are alive and are leading the resistance. Sihanouk contended that Chinese Vice Premier Deng Xiaoping (Teng Hsiao-ping) had promised yesterday to give Kampuchea "all types of aid" but had not said "anything precise" on the possibility of Chinese military intervention against Vietnam.



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